

PLACER COUNTY ASSESSMENT PRACTICES SURVEY

NOVEMBER 2014

CALIFORNIA STATE BOARD OF EQUALIZATION

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No. 2014/057

November 24, 2014

TO COUNTY ASSESSORS:

**PLACER COUNTY
ASSESSMENT PRACTICES SURVEY**

A copy of the Placer County Assessment Practices Survey Report is enclosed for your information. The Board of Equalization (BOE) completed this survey in fulfillment of the provisions of sections 15640-15646 of the Government Code. These code sections provide that the BOE shall make surveys in each county and city and county to determine that the practices and procedures used by the county assessor in the valuation of properties are in conformity with all provisions of law.

The Honorable Kristen Spears, Placer County Assessor, was provided a draft of this report and given an opportunity to file a written response to the findings and recommendations contained therein. The report, including the assessor's response, constitutes the final survey report, which is distributed to the Governor, the Attorney General, and the State Legislature; and to the Placer County Board of Supervisors, Grand Jury, and Assessment Appeals Board.

Fieldwork for this survey was performed by the BOE's County-Assessed Properties Division from November 2012 through January 2013. The report does not reflect changes implemented by the assessor after the fieldwork was completed.

Ms. Spears and her staff gave their complete cooperation during the survey. We gratefully acknowledge their patience and courtesy during the interruption of their normal work routine.

Sincerely,

/s/ Dean R. Kinnee

Dean R. Kinnee
Acting Deputy Director
Property Tax Department

DRK:dcl
Enclosure

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INTRODUCTION

Although county government has the primary responsibility for local property tax assessment, the State has both a public policy interest and a financial interest in promoting fair and equitable assessments throughout California. The public policy interest arises from the impact of property taxes on taxpayers and the inherently subjective nature of the assessment process. The financial interest derives from state law that annually guarantees California schools a minimum amount of funding; to the extent that property tax revenues fall short of providing this minimum amount of funding, the State must make up the difference from the general fund.

The assessment practices survey program is one of the State's major efforts to address these interests and to promote uniformity, fairness, equity, and integrity in the property tax assessment process. Under this program, the State Board of Equalization (BOE) periodically reviews the practices and procedures (surveys) of every county assessor's office. This report reflects the BOE's findings in its current survey of the Placer County Assessor's Office.

The assessor is required to file with the board of supervisors a response that states the manner in which the assessor has implemented, intends to implement, or the reasons for not implementing the recommendations contained in this report. Copies of the response are to be sent to the Governor, the Attorney General, the BOE, and the Senate and Assembly; and to the Placer County Board of Supervisors, Grand Jury, and Assessment Appeals Board. That response is to be filed within one year of the date the report is issued and annually thereafter until all issues are resolved. The Honorable Kristen Spears, Placer County Assessor, elected to file her initial response prior to the publication of our survey; it is included in this report following the Appendixes.

OBJECTIVE

The survey shall "...show the extent to which assessment practices are consistent with or differ from state law and regulations."¹ The primary objective of a survey is to ensure the assessor's compliance with state law governing the administration of local property taxation. This objective serves the three-fold purpose of protecting the state's interest in the property tax dollar, promoting fair treatment of taxpayers, and maintaining the overall integrity and public confidence in the property tax system in California.

The objective of the survey program is to promote statewide uniformity and consistency in property tax assessment, review each county's property assessment practices and procedures once every five years, and publish an assessment practices survey report. Every assessor is required to identify and assess all properties located within the county – unless specifically exempt – and maintain a database or "roll" of the properties and their assessed values. If the assessor's roll meets state requirements, the county is allowed to recapture some administrative costs.

SCOPE AND METHODOLOGY

Government Code sections 15640 and 15642 define the scope of an assessment practices survey. As directed by those statutes, our survey addresses the adequacy of the procedures and practices employed by the assessor in the valuation of property, the volume of assessing work as measured by property type, and the performance of other duties enjoined upon the assessor.

Pursuant to Revenue and Taxation Code² section 75.60, the BOE determines through the survey program whether a county assessment roll meets the standards for purposes of certifying the eligibility of the county to continue to recover costs associated with administering supplemental assessments. Such certification is obtained either by satisfactory statistical result from a sampling of the county's assessment roll, or by a determination by the survey team—based on objective standards defined in regulation—that there are no significant assessment problems in the county.

Since this survey did not include an assessment sample pursuant to Government Code section 15640(c), our review included an examination to determine whether "significant assessment problems" exist, as defined by Rule 371.

Our survey methodology of the Placer County Assessor's Office included reviews of the assessor's records, interviews with the assessor and her staff, and contacts with officials in other public agencies in Placer County who provided information relevant to the property tax assessment program.

¹ Government Code section 15642.

² Unless otherwise stated, all statutory references are to the California Revenue and Taxation Code and all rule references are to sections of California Code of Regulations, Title 18, Public Revenues.

For a detailed description of the scope of our review of county assessment practices, please refer to the Assessment Practices Survey Program document, which is available on the BOE's website at www.boe.ca.gov/Assessors/pdf/Scopemaster.pdf.

We conducted reviews of the following areas:

- Administration

We reviewed the assessor's administrative policies and procedures that affect both the real property and business property assessment programs. Specific areas reviewed include the assessor's budget and staffing, workload, staff property and activities, assessment appeals, and exemptions.

- Assessment of Real Property

We reviewed the assessor's program for assessing real property. Specific areas reviewed include changes in ownership, new construction assessments, decline-in-value assessments, and certain properties subject to special assessment procedures, such as California Land Conservation Act (CLCA) property and taxable possessory interests.

- Assessment of Personal Property and Fixtures

We reviewed the assessor's program for assessing personal property and fixtures. Specific areas reviewed include conducting audits, processing business property statements, business equipment valuation, manufactured home assessments, aircraft assessments, and vessel assessments.

EXECUTIVE SUMMARY

This report offers recommendations to help the assessor correct assessment problems identified by the survey team. The survey team makes recommendations when assessment practices in a given area are not in accordance with property tax law or generally accepted appraisal practices. An assessment practices survey is not a comprehensive audit of the assessor's entire operation. The survey team does not examine internal fiscal controls or the internal management of an assessor's office outside those areas related to assessment. In terms of current auditing practices, an assessment practices survey resembles a compliance audit – the survey team's primary objective is to determine whether assessments are being made in accordance with property tax law.

In the area of administration, the assessor is effectively managing the staffing, workload, staff property and activities, and assessment appeals programs. However, we made recommendations for improvement in the exemptions program.

In the area of real property assessment, the assessor has an effective program for declines in value. However, we made recommendations for improvement in the change in ownership, new construction, California Land Conservation Act (CLCA) property, and taxable possessory interests programs.

In the area of personal property and fixtures assessment, the assessor has effective programs for business property statements, business equipment valuation, manufactured homes, and vessels. However, we made recommendations for improvement in the audit and aircraft programs.

Despite the recommendations noted in this report, we found that most properties and property types are assessed correctly, and that the overall quality of the assessment roll meets state standards.

We found no significant assessment problems as defined in Rule 371. Since Placer County was not selected for assessment sampling pursuant to Government Code section 15643(b), this report does not include the assessment ratios that are generated for surveys that include assessment sampling. Accordingly, pursuant to section 75.60, Placer County continues to be eligible for recovery of costs associated with administering supplemental assessments.

OVERVIEW OF PLACER COUNTY

Placer County is located in northern California. The county encompasses an area of 1,502 square miles, which consists of 1,407 square miles of land and 95 square miles of water. Founded in April 1851, Placer County was formed from portions of Sutter and Yuba Counties. Placer County is bordered by El Dorado County to the south, Sacramento County to the southwest, Sutter County to the west, Yuba County to the northwest, Nevada County to the north, and the State of Nevada to the east.

As of 2012, Placer County had a population of 361,682. Placer County has five incorporated cities and one incorporated town: the cities of Auburn, Colfax, Lincoln, Roseville, Rocklin, and the town of Loomis. The county seat is Auburn. A portion of Lake Tahoe is located in Placer County.



FINDINGS AND RECOMMENDATIONS

As noted previously, our review concluded that the Placer County assessment roll meets the requirements for assessment quality established by section 75.60. This report does not provide a detailed description of all areas reviewed; it addresses only the deficiencies discovered.

Following is a list of the formal recommendations contained in this report.

- RECOMMENDATION 1:** Improve the administration of church and religious exemptions by properly determining the use of a property prior to granting the exemption.8
- RECOMMENDATION 2:** Remove the disabled veterans' exemption as of the date the property is no longer the claimant's principal place of residence.9
- RECOMMENDATION 3:** Improve the change in ownership program by correctly implementing the penalty abatement process in compliance with section 483(b).10
- RECOMMENDATION 4:** Grant new construction exclusions for claims for disabled access improvements only upon compliance with sections 74.3 and 74.6.12
- RECOMMENDATION 5:** Improve the CLCA property program by: (1) valuing newly created homesites on land under CLCA contract pursuant to Assessors' Handbook Section 521, *Assessment of Agricultural and Open-Space Properties* (AH 521), (2) deducting all allowable expenses from the income stream to be capitalized when valuing CLCA properties, (3) valuing all unrestricted nonliving improvements on CLCA property, and (4) assessing all trees and vines located on CLCA property.14
- RECOMMENDATION 6:** Improve the taxable possessory interests program by: (1) periodically reviewing all taxable possessory interests with stated terms of possession for declines in value, and (2) properly calculating supplemental assessments for taxable possessory interests.16
- RECOMMENDATION 7:** Perform the minimum number of audits of professions, trades, and businesses pursuant to section 469.18

RECOMMENDATION 8:	Properly apply a 10 percent adjustment to the <i>Bluebook</i> listed retail value in accordance with the guidelines set forth in Assessors' Handbook Section 577, <i>Assessment of General Aircraft</i> (AH 577).	19
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ADMINISTRATION

Exemptions

Article XIII, section 1 of the California Constitution sets forth the general principle that all property is taxable unless otherwise provided. Section 3 of article XIII authorizes exemption of certain types of property from property taxation and section 4 authorizes the Legislature to exempt certain other types of property from property taxation.³

Our review of the assessor's exemptions program included the church and religious, welfare, and disabled veterans' exemptions. We found no problems with the assessor's administration of the welfare exemption. However, we have recommendations for the church and religious, and the disabled veterans' portions of the exemptions program.

Church and Religious Exemptions

We reviewed several church and religious exemption claims. We found that the staff processing exemptions has a good understanding of the exemptions process and maintains complete, detailed files and notes on the computer system. Although the church and religious exemption program is generally well administered, we found an area in need of improvement.

RECOMMENDATION 1: Improve the administration of church and religious exemptions by properly determining the use of a property prior to granting the exemption.

When determining the exempt use of a property for church and religious exemptions, it is the assessor's practice to review the use of the property reported on the claim form by conducting field inspections, reviewing media articles, and/or using internet satellite maps. However, we found instances where the assessor neglected to fully investigate the use(s) of the property, resulting in the improper granting of the exemption. In one case, the assessor continued to grant the church exemption, even though one of the property users failed to file a claim when so requested. In another case, we found that the assessor granted 100 percent of the religious exemption for a property that was not being used for exempt purposes.

Sections 206 and 206.1 provide that the church exemption is available to property owned or leased by a church organization used exclusively for religious worship, or those under construction intended to be used exclusively for religious worship, and as much land as necessary for the convenient use of the buildings. In addition, Assessors' Handbook Section 267, *Welfare, Church, and Religious Exemptions* (AH 267), states, "Concurrent or shared use of a single facility by two or more religious organizations is not disqualifying if each body meets the test of exclusive or incidental use. If the ownership is jointly held, a single exemption claim filed by the joint owners would be proper. A shared use by lease would require an independent filing

³ For a detailed description of the scope of our review of Exemptions, please refer to the Assessment Practices Survey Program, which is available on the BOE's website at www.boe.ca.gov/Assessors/pdf/exemptions_general.pdf.

by each user." Allowing the church exemption when the assessor does not have information on all the users and uses of the property through the filing of a claim may result in the assessor improperly granting the full exemption on a property not being exclusively used for an exempt purpose.

Section 207 provides the religious exemption only for property owned and operated by a church for its worship purposes and operation of its schools, which only requires a one-time claim filing provision with an annual change in eligibility response card notice. The religious exemption is based on use and not ownership, thus, the exemption is only available when used for religious purposes and during construction of such properties. Allowing the religious exemption on a property not being used for exempt purposes is contrary to statute and may result in taxable property escaping assessment.

Disabled Veterans' Exemption

In general, we found that the assessor has an effective disabled veterans' exemption program. The assessor has recently written internal office procedures to assist staff in understanding the requirements of the disabled veterans' exemption and its filing procedures. The assessor also requires the appropriate documents to support a claimant's eligibility, such as proof of honorable discharge, disability rating letter from the Department of Veterans Affairs, marriage and death certificate if the claimant is an unmarried surviving spouse, or a household income worksheet when the low-income exemption is being claimed. However, we found an area where improvement is needed.

RECOMMENDATION 2: Remove the disabled veterans' exemption as of the date the property is no longer the claimant's principal place of residence.

When a claimant sells their principal place of residence, the assessor correctly terminates the disabled veterans' exemption as of the date of transfer. However, when the residence is still owned by the claimant as of lien date, and the claimant relocates to another property also owned by the claimant, the assessor does not terminate the disabled veterans' exemption until the end of the fiscal year in which the claimant relocated.

Section 279 provides that the disabled veterans' exemption shall remain in continuous effect unless specified conditions occur, one being that the owner does not occupy the dwelling as their principal place of residence. Section 276.3(b) provides that when property is no longer used by a claimant as their principal place of residence, the exemption shall cease to apply on the date the claimant terminates residency at that location.

The assessor's practice of not terminating the disabled veterans' exemption on a property when the claimant relocates their principal place of residence to another property that they also own is contrary to statutes. This can be an issue where the original residence has not received the maximum exemption due to a low assessed value and the new residence has a higher assessed value. In such a case, the claimant may be denied a larger overall exemption for the year between the two properties when the exemption is not prorated for each property according to occupancy periods.

ASSESSMENT OF REAL PROPERTY

Change in Ownership

Section 60 defines change in ownership as a transfer of a present interest in real property, including the beneficial use thereof, the value of which is substantially equal to the value of the fee simple interest. Sections 61 through 69.5 further clarify what is considered a change in ownership and what is excluded from the definition of a change in ownership for property tax purposes. Section 50 requires the assessor to enter a base year value on the roll for the lien date next succeeding the date of the change in ownership; a property's base year value is its fair market value on the date of the change in ownership.⁴

We examined several recorded documents and found that the assessor conducts a proper and thorough review for identifying and processing changes in ownership. In addition, we found that the assessor has an efficient valuation program in place for reappraising properties having undergone a change in ownership. However, we found an area in need of improvement.

Penalties

When a recorded document is received without a BOE-502-A, *Preliminary Change of Ownership Report* (PCOR), or the PCOR is incomplete, the assessor will send the property owner a BOE-502-AH, *Change in Ownership Statement* (COS), along with a letter informing the property owner that they have 90 days to return the completed COS before a penalty is applied. An assessment technician monitors and tracks the progress of the COS on a computer spreadsheet. If there is no response from the property owner within 90 days, a second COS is sent, along with a letter notifying the property owner of the penalty being applied and of the abatement process. The county board of supervisors has adopted Resolution No. 2004-292 pursuant to section 483(b), which allows the assessor to automatically abate penalties if the COS is returned to the assessor within 60 days from the date of the notice of penalty.

We found an area in need of improvement when applying the penalty abatement process.

RECOMMENDATION 3: Improve the change in ownership program by correctly implementing the penalty abatement process in compliance with section 483(b).

When a property owner fails to file a requested COS within 90 days, the assessor sends the property owner a notice of penalty letter, along with an additional COS and a penalty abatement form. The assessor's notice of penalty letter states, in part:

"If you believe your failure to reply to the original request within the time allotted was due to reasonable cause, you may file for abatement of the penalty. Your application for

⁴ For a detailed description of the scope of our review of Change in Ownership, please refer to the Assessment Practices Survey Program, which is available on the BOE's website at www.boe.ca.gov/Assessors/pdf/cio_general.pdf.

abatement, together with your completed 'Change in Ownership Statement', must be received by this office no later than 60 days from the date of the letter. An abatement application form is enclosed for your convenience."

This procedure is incorrect, since Placer County has a resolution in place that gives the assessor the authority to automatically abate the penalties as provided for in section 483(b).

Section 483(b) states that the penalty provided for in section 482(a) shall be abated if the assessee files the COS with the assessor no later than 60 days after the date on which the assessee was notified of the penalty. The assessee is not required to include a written application for abatement of the penalty or to state that the failure to file was due to reasonable cause in order to have the penalty abated. Under the terms of section 483(b), the assessor may not decide on a case by case basis to abate penalties. The assessor must automatically abate the penalties as long as the property owner returns the completed COS to the assessor within 60 days from the date of the notice of penalty.

The assessor's current practice of requiring the property owner to complete a penalty abatement request in order to have penalties abated when the property owner fails to file a COS timely is not in accordance with section 483(b) and may cause the property owner to pay penalties they are not required to pay.

New Construction

Section 70 defines newly constructed property, or new construction, as (1) any addition to real property since the last lien date, or (2) any alteration of land or improvements since the last lien date that constitutes a major rehabilitation of the property or converts the property to a different use. Further, section 70 establishes that any rehabilitation, renovation, or modernization that converts an improvement to the substantial equivalent of a new improvement constitutes a major rehabilitation of the improvement. Section 71 requires the assessor to determine the full cash value of newly constructed real property on each lien date while construction is in progress and on its date of completion, and provides that the full cash value of completed new construction becomes the new base year value of the newly constructed property.⁵

We reviewed several property record files involving recent new construction and found the assessor's program for the discovery and assessment of new construction to be generally well administered. The assessor's property records were well documented, showing CIP assessed as of the lien date, completed new construction assessed as of the date of completion, and supplemental assessments issued as of the date of completion, when appropriate. In addition, we found that the assessor is properly administering exclusions for active solar systems and fire sprinkler systems, when appropriate. However, we found an area in need of improvement.

⁵ For a detailed description of the scope of our review of New Construction, please refer to the Assessment Practices Survey Program, which is available on the BOE's website at www.boe.ca.gov/Assessors/pdf/newconstruction_general.pdf.

RECOMMENDATION 4: Grant new construction exclusions for claims for disabled access improvements only upon compliance with sections 74.3 and 74.6.

The assessor excludes new construction performed for the purpose of making a dwelling more accessible to a severely and permanently disabled person who is a permanent resident of the dwelling without the information required in section 74.3. The assessor also excludes new construction performed for the purpose of making a building or structure more accessible to, or more usable by, a disabled person without the information required by section 74.6. If the permit description indicates it is for a disabled person to have access to an improvement, the permit is filed with the building record and notes are made indicating the permit description. The assessor does not reassess the new construction nor request BOE-63, *Disabled Persons Claim for Exclusion of New Construction*, or BOE-63-A, *Claim for Disabled Accessibility Construction Exclusion from Assessment* be filed to qualify for the exclusion.

Section 74.3(a) provides that "newly constructed" does not include the construction, installation, or modification of any portion or structural component of an existing single- or multiple-family dwelling that is eligible for the homeowner's exemption as described in section 218, if the construction, installation, or modification is for the purpose of making the dwelling more accessible to a severely and permanently disabled person who is a permanent resident of the dwelling. In order for this exclusion to apply, the following conditions must be met: (1) the construction, installations, or modifications must be completed on or after June 6, 1990, on an existing dwelling, (2) the dwelling must be eligible for the homeowners' exemption, and (3) the work performed must be for the purpose of making the dwelling more accessible to a severely and permanently disabled person who is a permanent resident of the dwelling.

In order to receive the exclusion, the disabled person, their spouse, or their legal guardian must submit to the assessor the following: (1) a statement signed by a licensed physician or surgeon, of appropriate specialty, certifying the person is severely and permanently disabled as defined in section 74.3(b), and identifying specific disability-related reasons why the accessibility improvements or features are needed, and (2) a statement by the claimant identifying the construction, installation, or modification necessary to make the dwelling more accessible to the disabled resident.

For buildings other than owner-occupied dwellings, section 74.6 provides that "newly constructed" and "new construction" does not include the construction, installation, removal, or modification of any portion or structural component of an existing building or structure to the extent that it is done for the purpose of making the building or structure more accessible to, or more usable by, a disabled person. In order for this exclusion to apply, the following must be met: (1) the construction, installation, removal, or modification must be completed on or after June 7, 1994, to an existing building, (2) the work performed must be for the purpose of making the building more accessible to, or more usable by, a disabled person, and (3) the construction must not qualify for the construction exclusion provided by section 74.3(a).

In order to receive the exclusion, the following shall be submitted to the assessor: (1) notification by the property owner prior to, or within 30 days of, completion of any project that the property owner intends to claim the exclusion for improvements making the building or structure more

accessible to, or usable by, a disabled person, (2) a statement from the property owner, primary contractor, civil engineer, or architect identifying those portions of the project making the building or structure more accessible to, or usable by, a disabled person, and (3) all documents necessary to support the exclusion, filed by the property owner, no later than six months after the completion of the project.

Use of BOE-63 and BOE-63-A facilitates this process. Both forms guide the property owner in providing the assessor the statements and certifications necessary to receive the exclusion. If the information required by sections 74.3 and 74.6 is not provided, the assessor is not authorized to exclude new construction from assessment for improvements intended to provide accessibility or usability for a disabled person. Failure to obtain the necessary information required by sections 74.3 and 74.6 may cause the assessor to grant exclusions for new construction that would otherwise be taxable.

California Land Conservation Act Property

Pursuant to the California Land Conservation Act (CLCA) of 1965, agricultural preserves may be established by a city or county for the purpose of identifying areas within which the city or county will enter into agricultural preserve contracts with property owners.

Property owners who place their lands under contract agree to restrict the use of such lands to agriculture and other compatible uses; in exchange, the lands are assessed at a restricted value. Lands under contract are valued for property tax purposes by a method that is based upon agricultural income-producing ability (including income derived from compatible uses, for example, hunting rights and communications facilities). Such lands must be assessed at the lowest of the restricted value, current market value, or factored base year value.⁶

For the 2012-13 roll year, Placer County had 563 parcels encumbered by CLCA or other types of open space contracts, encompassing 40,666 acres. The total assessed value including land and improvements was \$108,258,377. Included in these statistics are properties under Farmland Security Zone (FSZ) contracts, which are a more restrictive contract than CLCA contracts. Placer County has 65 parcels in nonrenewal status. There have been no contracts cancelled in recent years.

We reviewed several CLCA assessments and found that the assessor properly issues supplemental assessments on unrestricted portions of CLCA properties that undergo changes in ownership or have completed new construction. Pursuant to section 75.14 and section 52(a), supplemental assessments are not issued for restricted land or living improvements. In addition, the assessor properly values properties in nonrenewal status in accordance with section 426. However, we found areas in need of improvement.

⁶ For a detailed description of the scope of our review of California Land Conservation Act (CLCA) Property, please refer to the Assessment Practices Survey Program, which is available on the BOE's website at www.boe.ca.gov/Assessors/pdf/clca_general.pdf.

RECOMMENDATION 5: Improve the CLCA property program by: (1) valuing newly created homesites on land under CLCA contract pursuant to Assessors' Handbook Section 521, *Assessment of Agricultural and Open-Space Properties* (AH 521), (2) deducting all allowable expenses from the income stream to be capitalized when valuing CLCA properties, (3) valuing all unrestricted nonliving improvements on CLCA property, and (4) assessing all trees and vines located on CLCA property.

Value newly created homesites on land under CLCA contract pursuant to Assessors' Handbook Section 521, *Assessment of Agricultural and Open-Space Properties* (AH 521).

We found that for CLCA contracts entered into after a change in ownership has taken place, the assessor values the newly created homesite by estimating the current market value of a comparable homesite as of the date the homesite is created rather than reallocating the existing factored base year value of the land between the newly created homesite and the restricted land. For example, the assessor determines the current market value of the area to be designated as homesite and then adds this new homesite value to the existing value of the property. This practice would be proper if the change in ownership and the creation of the homesite took place concurrently; however, when a homesite is created after a change in ownership, the assessor's procedure should differ.

In accordance with AH 521, the value for the land allocated to the homesite should be based on the estimated market value of a comparable homesite as of the date of the most recent change in ownership. This value should then be indexed up for inflation to the date the homesite was created.

By valuing a homesite at its estimated market value as of the date of creation of the homesite rather than as of the date of the last change in ownership and then adding that value to the overall existing value, the assessor is not only double-assessing the homesite, but is also improperly determining the homesite value, causing incorrect assessments.

Deduct all allowable expenses from the income stream to be capitalized when valuing CLCA properties.

The majority of CLCA properties in Placer County are irrigated by a series of canals and ditches controlled by the Nevada Irrigation District (NID) and the Placer County Water Association (PCWA), while a few CLCA properties are irrigated by well water. However, we found that the assessor does not deduct either water irrigation well charges or water irrigation district charges from the gross income of CLCA properties.

According to AH 521, since the income to be capitalized in the valuation of open-space properties is the net income attributable to the land, the expenses necessary to maintain this income and the portion of income attributable to improvements must be subtracted from the expected gross income prior to capitalization. One of these categories of expenses is special district charges. Special district assessments other than ad valorem assessments levied on

agricultural land and paid by the landowner are legitimate charges against real property income. Irrigation and drainage district charges are the most common type of special district assessments.

Another category of expenses are irrigation well charges. Irrigation wells are classified as land for appraisal purposes. Wells are wasting assets and suffer from depreciation. A well often requires maintenance to continually produce the volume of water necessary to grow the irrigated crops that maximize income. Since wells are classified as land, and land values under open-space restrictions are established by capitalizing income, AH 521 recommends the following procedure for treating irrigation well charges:

- Deduct a charge for the return *of* the well value from the income attributable to the real property. This charge can be accurately determined by multiplying the replacement cost new of the well by the appropriate sinking fund factor.
- Deduct a charge for well maintenance when such an expense is applicable.
- Do not deduct a charge for return *on* the investment in a well. Instead, allow this income to remain as income attributable to land to be capitalized at the prescribed open-space rate.

By not deducting appropriate expenses for irrigation well charges or for water irrigation district charges, the assessor is overstating the income of the CLCA property to be capitalized, which may cause an overassessment of the property.

Value all unrestricted nonliving improvements on CLCA property.

We found the assessor does not recognize and assess all unrestricted nonliving improvements, such as stakes and trellises associated with grape vineyards, on CLCA property.

AH 521 states that all property not specifically restricted by an open-space contract must be valued for tax purposes in accordance with article XIII A. Since Placer County's CLCA contract does not allow for nonliving improvements to be included in the enforceable restriction in accordance with section 423(e), nonliving improvements are valued under article XIII A, and are treated as a separate appraisal unit under section 51(d). In accordance with section 51(a), the separate appraisal unit consisting of unrestricted nonliving improvements must be enrolled at the lower of its factored base year value or current market value.

The assessor's practice of not assessing unrestricted nonliving improvements on CLCA property may result in escaped assessments.

Assess all trees and vines located on CLCA property.

We found several instances where the assessor failed to assess trees and vines located on CLCA property.

Section 429 provides that in valuing land enforceably restricted, fruit-bearing or nut-bearing trees and vines on the land that are not exempt from taxation, shall be valued as land. The value

of trees and vines on land subject to open-space restrictions shall be established by capitalizing the net income attributable to them.

The assessor's practice allows restricted living improvements to escape assessment.

Taxable Possessory Interests

A taxable possessory interest results from the possession, a right to possession, or a claim to a right to possession of publicly-owned real property, in which the possession provides a private benefit to the possessor and is independent, durable, and exclusive of rights held by others. The assessment of a taxable possessory interest in tax-exempt publicly owned property is based on the value of the rights held by the possessor; the value of the rights retained by the public owner is almost always tax exempt.⁷

Placer County has 618 taxable possessory interests with a total assessed value of \$194,689,942. The majority of taxable possessory interests being assessed in Placer County are private aircraft hangars at publicly owned airports, privately owned cabins on U.S. Forest Service (USFS) land, and private recreational pier and buoy leases. Other types of taxable possessory interests in Placer County include, but are not limited to, concessionaires at county fairgrounds, grazing permits, cable television franchises, employee housing, and concessions at state parks.

We reviewed the property record files of several taxable possessory interests. The primary method of valuation used by the assessor to value taxable possessory interests was the income approach-direct method. Overall, we found the assessor's taxable possessory interests program to be effective. However, we found areas in need of improvement.

RECOMMENDATION 6: Improve the taxable possessory interests program by:
(1) periodically reviewing all taxable possessory interests with stated terms of possession for declines in value, and (2) properly calculating supplemental assessments for taxable possessory interests.

Periodically review all taxable possessory interests with stated terms of possession for declines in value.

We reviewed several taxable possessory interests with stated terms of possession and found several instances where the assessor did not periodically review these taxable possessory interests for possible declines in value. Instead, the assessor enrolled the factored base year value each year until either a change in ownership occurred or the term of possession ended.

Rule 21(d)(1) states, in part, "The stated term of possession shall be deemed the reasonably anticipated term of possession unless it is demonstrated by clear and convincing evidence that the public owner and the private possessor have reached a mutual understanding or agreement, whether or not in writing, such that the reasonably anticipated term of possession is shorter or

⁷ For a detailed description of the scope of our review of Taxable Possessory Interests, please refer to the Assessment Practices Survey Program, which is available on the BOE's website at www.boe.ca.gov/Assessors/pdf/tpi_general.pdf.

longer than the stated term of possession. If so demonstrated, the term of possession shall be the stated term of possession as modified by the terms of the mutual understanding or agreement."

Rule 21(a)(6) defines the stated term of possession for a taxable possessory interest as of a specific date as "...the remaining period of possession as of that date as specified in the lease, agreement, deed, conveyance, permit, or other authorization or instrument that created, extended, or renewed the taxable possessory interest, including any option or options to renew or extend the specified period of possession if it is reasonable to assume that the option or options will be exercised." Therefore, the stated term of possession declines each year. This may or may not have a material effect on the market value of the possessory interest. Thus, absent clear and convincing evidence of a mutual understanding or agreement as to a shorter or longer term of possession, the assessor must estimate the current market value of the taxable possessory interest on lien date based on the remaining stated term of possession, compare this value to the factored base year value, and enroll the lower of the two values.

Although the assessor is not required to reappraise all properties each year, the assessor should develop a program to periodically review assessments of taxable possessory interests with stated terms of possession to ensure declines in value are consistently recognized. Failure to periodically review taxable possessory interests for possible declines in value may cause the assessor to overstate the taxable value of a taxable possessory interest.

Properly calculate supplemental assessments for taxable possessory interests.

We discovered several taxable possessory interests where the assessor incorrectly calculated the supplemental assessment upon a change in ownership by offsetting the fair market value against the prior value on the roll. We also found examples where the assessor had issued negative supplemental assessments due to a change in ownership.

Section 61(b) provides that the creation, renewal, extension, or assignment of a taxable possessory interest is a change in ownership. Section 75.11 provides that there shall be a supplemental assessment following a change in ownership or completed new construction. In addition, Assessors' Handbook Section 510, *Assessment of Taxable Possessory Interests* (AH 510), gives guidance for a supplemental assessment issued due to a change in ownership. There should not be a negative supplemental assessment for the taxable possessory interest that terminated, and the supplemental assessment amount for the newly created taxable possessory interest should be based on its fair market value without offset for a prior value on the regular assessment roll when one taxable possessory interest is terminated during an assessment year and a second (but distinct) taxable possessory interest is created involving the same land and improvements during the same assessment year.

The assessor's failure to correctly calculate supplemental assessments is contrary to BOE guidance and may result in a loss of revenue.

ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES

Audit Program

Effective January 1, 2009, county assessors are required to annually audit a significant number of audits as specified in section 469. The significant number of audits required is at least 75 percent of the fiscal year average of the total number of mandatory audits the assessor was required to have conducted during the 2002-03 fiscal year to the 2005-06 fiscal year, with at least 50 percent of those to be selected from a pool of those taxpayers with the largest assessments.⁸

Rule 192 prescribes the computation establishing minimum required audit production and provides the basis for the audit selection process. According to Letter To Assessors (LTA) No. 2009/049, the amended statute requires the assessor to complete 61 audits per year. While the assessor completed 65 audits for the 2012-13 fiscal year, the assessor only completed 42 audits for the 2009-10 fiscal year, 51 audits for the 2010-11 fiscal year, and 59 audits for the 2011-12 fiscal year. Given recent and current audit production levels, the assessor has failed to meet the minimum number of significant audits required, as defined by section 469, three out of the past four years as reported.

RECOMMENDATION 7: Perform the minimum number of audits of professions, trades, and businesses pursuant to section 469.

We found that the assessor did not conduct the minimum number of audits required under the provisions of section 469 for three out of the past four years as reported.

An effective audit program verifies the reporting of various business property accounts, from small to large, and helps prevent potential errors or escape assessments. An audit program is an essential component of an equitably administered assessment program. A weak audit program can leave a business property assessment program with no means of verifying the accuracy of taxpayer reporting or correcting noncompliant reporting practices. Furthermore, experience shows that when audits are not conducted timely, it is more difficult to obtain the records necessary to substantiate accurate reporting the further removed the audit is from the year being audited. Therefore, timeliness of the audit is an important factor in an effective audit program and ultimately a well managed assessment program.

By failing to conduct a significant number of audits in a timely manner each year, the assessor is not in compliance with section 469 for those years.

⁸ For a detailed description of the scope of our review of Audit, please refer to the Assessment Practices Survey Program, which is available on the BOE's website at www.boe.ca.gov/Assessors/pdf/auditprogram_general.pdf.

Aircraft

General Aircraft

General aircraft are privately owned aircraft that are used for pleasure or business, but that are not authorized to carry passengers, mail, or freight on a commercial basis. Section 5363 requires the assessor to determine the market value of all aircraft according to standards and guidelines prescribed by the BOE. Section 5364 requires the BOE to establish such standards.⁹

We reviewed several general aircraft records for valuation methodology, the inclusion of legal signatures, and the application of late or failure to file penalties pursuant to section 5367. We found that the assessor's procedures for the discovery, valuation, and assessment of general aircraft conform to statutory provisions and guidelines set forth in Assessors' Handbook Section 577, *Assessment of General Aircraft* (AH 577), and Letter To Assessors (LTA) No. 97/03, with the exception of the following area:

RECOMMENDATION 8: Properly apply a 10 percent adjustment to the *Bluebook* listed retail value in accordance with the guidelines set forth in Assessors' Handbook Section 577, *Assessment of General Aircraft* (AH 577).

According to AH 577, a 10 percent adjustment should be applied to the *Bluebook* listed retail values in order to provide reasonable estimates of fair market values for aircraft in truly average condition. While the assessor applies the Board-prescribed 10 percent adjustment, the 10 percent adjustment is incorrectly applied at the end of the calculation after adjustments for airframe hours, engine hours, avionics, and overall condition have been applied.

By incorrectly applying the 10 percent adjustment, the assessor may be enrolling incorrect assessments. In addition, the assessor's practice does not conform to the BOE guidelines provided in AH 577 and LTA No. 97/03. According to those guidelines, the assessor should apply the 10 percent adjustment to the *Bluebook* listed retail value only. Then, as deemed appropriate by the appraiser, other adjustments may be made, such as overall condition, equipment installed, hours since a major engine overhaul, and total airframe hours. Sales tax should be applied to the final adjusted value.

⁹ For a detailed description of the scope of our review of Aircraft, please refer to the Assessment Practices Survey Program, which is available on the BOE's website at www.boe.ca.gov/Assessors/pdf/aircraft_general.pdf.

APPENDIX A: STATISTICAL DATA

Table 1: Assessment Roll

The following table displays information pertinent to the 2012-13 assessment roll:¹⁰

	PROPERTY TYPE	ENROLLED VALUE
Secured Roll	Land	\$17,026,567,060
	Improvements	\$34,761,841,728
	Personal Property	\$389,235,259
	Total Secured	\$52,177,644,047
Unsecured Roll	Land	\$47,403,890
	Improvements	\$512,165,342
	Personal Property	\$930,092,924
	Total Unsecured	\$1,489,662,156
Exemptions¹¹		(\$1,811,052,614)
	Total Assessment Roll	\$51,856,253,589

Table 2: Change in Assessed Values

The next table summarizes the change in assessed values over recent years:¹²

ROLL YEAR	TOTAL ROLL VALUE	CHANGE	STATEWIDE CHANGE
2012-13	\$51,856,254,000	-0.3%	1.4%
2011-12	\$52,026,034,000	-2.9%	0.1%
2010-11	\$53,597,621,000	-6.2%	-1.9%
2009-10	\$57,126,540,000	-2.6%	-2.4%
2008-09	\$58,630,823,000	2.3%	4.7%

¹⁰ Statistics provided by BOE-822, *Report of Assessed Values By City*, 31 Placer, for year 2012.

¹¹ The value of the Homeowners' Exemption is excluded from the exemptions total.

¹² State Board of Equalization Annual Report, Table 7.

Table 3: Gross Budget and Staffing

The assessor's budget has grown from \$8,729,253 in 2008-09 to \$9,657,767 in 2012-13.

As of the date of our survey, the assessor had 77 budgeted permanent positions. These positions consisted of the assessor, assistant assessor, 7 managers, 30 appraisers, 4 auditor-appraisers, 3 drafting/mapping technicians, 3 computer analysts, 5 technical/professionals, and 23 support staff.¹³

The following table shows the assessor's gross budget and staffing over recent years:¹⁴

BUDGET YEAR	GROSS BUDGET	CHANGE	PERMANENT STAFF
2012-13	\$9,657,767	1.6%	77
2011-12	\$9,502,671	3.1%	85
2010-11	\$9,214,522	2.6%	72
2009-10	\$8,982,021	2.9%	85
2008-09	\$8,729,253	5.5%	85

Table 4: Assessment Appeals

The following table shows the number of assessment appeals filed in recent years:¹⁵

YEAR	ASSESSMENT APPEALS FILED
2012-13	1,537
2011-12	3,127
2010-11	3,336
2009-10	3,905
2008-09	4,178

¹³ Information provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for year 2012-13.

¹⁴ Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for years 2008-09 through 2012-13.

¹⁵ Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for years 2008-09 through 2012-13.

Table 5: Exemptions – Church and Religious

The following table shows religious and church exemption data for recent years:¹⁶

YEAR	RELIGIOUS EXEMPTIONS	EXEMPTED VALUE	CHURCH EXEMPTIONS	EXEMPTED VALUE
2012-13	277	\$286,520,777	48	\$21,388,825
2011-12	260	\$271,026,246	46	\$25,390,820
2010-11	258	\$267,459,751	43	\$20,650,335
2009-10	254	\$267,178,800	22	\$8,430,823
2008-09	242	\$242,284,446	29	\$11,360,282

Table 6: Exemptions – Welfare

The following table shows welfare exemption data for recent years:¹⁷

YEAR	WELFARE EXEMPTIONS	EXEMPTED VALUE
2012-13	338	\$1,318,223,504
2011-12	326	\$1,275,684,339
2010-11	377	\$1,364,470,963
2009-10	350	\$1,246,654,215
2008-09	286	\$1,062,126,454

Table 7: Exemptions – Disabled Veterans'

The following table shows disabled veterans' exemption data for recent years:¹⁸

YEAR	DISABLED VETERANS' EXEMPTIONS	EXEMPTED VALUE
2012-13	553	\$66,380,563
2011-12	519	\$61,036,878
2010-11	477	\$55,123,919
2009-10	440	\$50,764,819
2008-09	412	\$47,172,475

¹⁶ Statistics provided by BOE-802, *Report on Exemptions*, for years 2008 through 2012.

¹⁷ Statistics provided by BOE-802, *Report on Exemptions*, for years 2008 through 2012.

¹⁸ Statistics provided by BOE-802, *Report on Exemptions*, for years 2008 through 2012.

Table 8: Change in Ownership

The following table shows the total number of reappraisable transfers due to changes in ownership processed in recent years:¹⁹

YEAR	REAPPRAISABLE TRANSFERS
2012-13	14,537
2011-12	13,817
2010-11	13,444
2009-10	12,144
2008-09	12,013

Table 9: New Construction

The following table shows the total number of new construction assessments processed in recent years:²⁰

YEAR	NEW CONSTRUCTION ASSESSMENTS
2012-13	1,769
2011-12	845
2010-11	3,773
2009-10	3,899
2008-09	5,654

¹⁹ Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities* for years 2008-09 through 2012-13.

²⁰ Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities* for years 2008-09 through 2012-13.

Table 10: Declines In Value

The following table shows the total number of decline-in-value assessments in recent years:²¹

YEAR	DECLINE-IN-VALUE ASSESSMENTS
2012-13	64,973
2011-12	94,770
2010-11	78,139
2009-10	71,805
2008-09	63,197

Table 11: Business Property Statements

The following table displays the assessor's workload of secured and unsecured business property statements (BPS) and assessments for the 2012-13 roll year:²²

TYPE OF PROPERTY STATEMENTS	TOTAL	SECURED VALUE	UNSECURED VALUE	TOTAL ASSESSED VALUE
General Business	3,365	\$1,643,613,206	\$737,030,018	\$2,380,643,224
Agricultural	79	\$21,697,656	\$2,446,853	\$24,144,509
Apartments	135	\$716,737,334	\$2,677,352	\$719,414,686
Direct Billing	1,647	\$255,285,819	\$29,899,366	\$285,185,185
Financial	162	\$17,300,489	\$23,627,507	\$40,927,996
Leased Equipment	588	\$43,978,865	\$80,426,024	\$124,404,889
Service Stations	113	\$111,658,816	\$14,621,040	\$126,279,856
E-Filings	1,324	\$392,942,253	\$235,561,271	\$628,503,524
Totals	7,413	\$3,203,214,438	\$1,126,289,431	\$4,329,503,869

²¹ Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities* for years 2008-09 through 2012-13.

²² Statistics provided by Jaime Kirkpatrick, Chief Appraiser, Placer County Assessor's Office.

APPENDIX B: COUNTY-ASSESSED PROPERTIES DIVISION SURVEY GROUP

Placer County

Acting Chief

Benjamin Tang

Survey Program Director:

Mike Harris

Manager, Property Tax

Survey Team Supervisor:

Ronald Louie

Supervisor, Property Tax

Survey Team Leader:

Glenn Danley

Senior Specialist Property Appraiser

Survey Team:

Tammy Aguiar

Senior Specialist Property Appraiser

Julie Warren

Senior Specialist Property Appraiser

Tesneem Dean

Associate Property Appraiser

Heather White

Associate Property Appraiser

Paula Montez

Associate Property Auditor-Appraiser

APPENDIX C: RELEVANT STATUTES AND REGULATIONS

Reference	Description
<i>Government Code</i>	
§15640	Survey by board of county assessment procedures.
§15641	Audit of records; appraisal data not public.
§15642	Research by board employees.
§15643	When surveys to be made.
§15644	Recommendations by board.
§15645	Survey report; final survey report; assessor's report.
§15646	Copies of final survey reports to be filed with local officials.
<i>Revenue and Taxation Code</i>	
§75.60	Allocation for administration.
<i>Title 18, California Code of Regulations</i>	
Rule 370	Random selection of counties for representative sampling.
Rule 371	Significant assessment problems.

ASSESSOR'S RESPONSE TO BOE'S FINDINGS

Section 15645 of the Government Code provides that the assessor may file with the Board a response to the findings and recommendations in the survey report. The Placer County Assessor's response begins on the next page.

Section 15645 also allows the Board to include in the report comments regarding the assessor's response. Our comments follow the assessor's response.



OFFICE OF PLACER COUNTY ASSESSOR

Kristen Spears, Assessor

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Telephone (530) 889-4300
Fax (530) 889-4305
www.placer.ca.gov/assessor

October 16, 2014

RECEIVED

Mr. Benjamin Tang, Acting Chief
County-Assessed Properties Division
State Board of Equalization
P. O. Box 942879
Sacramento, CA 94279-0063

OCT 21 2014

County-Assessed Properties Division
State Board of Equalization

Subject: Placer County Assessment Practices Survey Response

Dear Mr. Tang:

Enclosed is my response to the recommendations included in the State Board of Equalization Assessment Practices Survey of Placer County. This response was prepared in accordance with Section 15645 of the California Government Code. Please include my response in the published survey.

I wish to express my appreciation to the Board of Equalization survey team that visited Placer County for the professional manner in which the survey was conducted. I believe that a periodic, independent survey of Assessors' practices is an important tool that facilitates a beneficial dialogue between the State Board and local Assessors.

I would also like to express my sincere appreciation to the staff of the Placer County Assessor's Office for their dedication, professionalism, and unfailing commitment to serving the citizens of Placer County.

Sincerely,

A handwritten signature in black ink, appearing to read "K. Spears", written over a horizontal line.

Kristen Spears
Placer County Assessor

KBS/af

Enclosure

Placer County Assessor 2014 Survey Responses

- RECOMMENDATION 1:** Improve the administration of the church and religious exemptions by properly determining the use of a property prior to granting the exemption.
- RESPONSE:** We concur and have reviewed the two exemptions in question and have taken appropriate follow-up action to address these isolated occurrences. The practice of this office is to inspect every new church exemption claim to determine if the use of the property qualifies for an exemption. This also includes new subleases reported on the annual statement. Exempted church and religious properties are periodically inspected to verify the exemption is still valid.
- RECOMMENDATION 2:** Remove the disabled veterans' exemption as of the date the property is no longer the claimant's principal place of residence.
- RESPONSE:** We concur and have taken appropriate follow-up action to address the one exemption that was in question, out of the four reviewed. We are also developing a new procedure to ensure that our current practices are documented and consistently applied.
- RECOMMENDATION 3:** Improve the change in ownership program by correctly implementing the penalty abatement process in compliance with section 483(b).
- RESPONSE:** We note that the Board's objection is to our use of a board form to facilitate the penalty abatement process. We further clarify that there were no examples found where the penalty should have been abated and was not. We will review our practices and use of this form.
- RECOMMENDATION 4:** Grant new construction exclusions for claims for disabled access improvements only upon compliance with sections 74.3 and 74.6.
- RESPONSE:** We concur and will add the additional recommended step of having the disabled party sign and complete the appropriate board forms to receive their exclusion. We further clarify that disabled access improvements were verified prior to granting of the new construction exemptions in accordance with sections 74.3 and 74.6.
- RECOMMENDATION 5:** Improve the CLCA property program by: (1) valuing newly created homesites on land under CLCA contract pursuant to Assessors' Handbook Section 521, Assessment of Agricultural and Open-Space Properties (AH521), (2) deducting all allowable expenses from the income stream to be capitalized when valuing CLCA properties, (3) valuing all unrestricted nonliving improvements on CLCA property and (4) assessing all trees and vines located on CLCA property.

RESPONSE:

Before I respond, let me first frame this recommendation in the proper perspective. The Placer County CLCA program continues to decline each year and now comprises approximately one-tenth of one percent (.1%) of the assessment roll.

- (1) We concur and will revise our process for valuing homesites on CLCA land.
- (2) We will revise our process for identifying and valuing irrigation improvement and wells for CLCA properties.
- (3) We concur and will revise our procedure for valuing unrestricted, non-living improvements on CLCA properties.
- (4) We concur and will assess trees and vines on CLCA land.

RECOMMENDATION 6:

Improve the taxable possessory interests program by: (1) periodically reviewing all taxable possessory interests with stated terms of possession for declines in value, and (2) property calculating supplemental assessments for taxable possessory interests.

RESPONSE:

We acknowledge the Board's recommendation but disagree.

- (1) We believe that we have an adequate annual review program for possessory interests. We send out a request letter to all commercial property owners each year requesting their response if they believe their property values have declined. All requests are reviewed, and we take into account the remaining term of possession.
- (2) We review each circumstance and create supplemental assessments from zero as recommended by the Board in those instances where the supplemental would not create a double assessment.

RECOMMENDATION 7:

Perform the minimum number of audits of professions, trades, and businesses pursuant to section 469.

RESPONSE:

We have carefully reviewed this recommendation and found that the Board's source document for Placer's audit completions was the annual *Budget, Staff, and Assessment Roll Data* reports. We have provided the Board with additional specific information regarding audit completions, along with amended numbers for each of the years in question. Our findings indicate the only year of deficiency was 2009, and we have met and/or exceeded the minimum audit production required for all subsequent years. In addition, we note that the Board may wish to review the survey questions that are used to garner the information for the annual *Budget, Staff, and Assessment Roll Data* reports to ensure consistency and accuracy in state-wide reporting.

RECOMMENDATION 8: Properly apply a 10 percent adjustment to the Bluebook listed retail value in accordance with the guidelines set forth in Assessors' Handbook Section 577, Assessment of General Aircraft (AH577).

RESPONSE: We concur with this recommendation regarding the application of the 10% adjustment to Bluebook. We also note that for the average general aircraft in Placer County, the difference in value between the current and recommended methodology is not material. In our review, either approach would fall within an acceptable range of value.

BOE COMMENTS TO ASSESSOR'S RESPONSE

Recommendation 2: Remove the disabled veterans' exemption as of the date the property is no longer the claimant's principal place of residence.

BOE Comments to Assessor's Response:

The BOE staff only reviewed one claim, not four, that dealt with the transfer of a disabled veteran's exemption between two homes owned by the same individual that were located in two different counties. However, since the one claim was processed in accordance with the county's written procedures that conflicted with statute, staff saw no need to seek additional examples.

Recommendation 3: Improve the change in ownership program by correctly implementing the penalty abatement process in compliance with section 483(b).

BOE Comments to Assessor's Response:

The BOE would like to clarify that Recommendation 3 is based on the fact that Placer County has adopted the abatement clause specified in section 483(b), which does not require a property owner to submit a penalty abatement form in order to be considered for an abatement from penalty. Section 483(b) only requires the property owner to submit a completed *Change in Ownership Statement* (COS) within 60 days from the date of the notice of penalty and the penalty shall be abated. The property owner is not required to provide any other information or take any other action in order for the penalty to be abated, however, the assessor is requiring the property owner to submit a penalty abatement form along with a completed COS in order to be considered for the abatement, which is contrary to statute.

Recommendation 7: Perform the minimum number of audits of professions, trades, and businesses pursuant to section 469.

BOE Comments to Assessor's Response:

The BOE's annual *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* requires the assessor to report audit completion data based on a statutory formula developed by the California Assessors' Association. Each county's statutory audit requirements were developed based on the numbers submitted to the BOE and agreed to by the counties. If the assessors believe the current reporting process for audit counts is flawed or inaccurate, BOE staff is available to discuss possible changes to statute that would be needed.